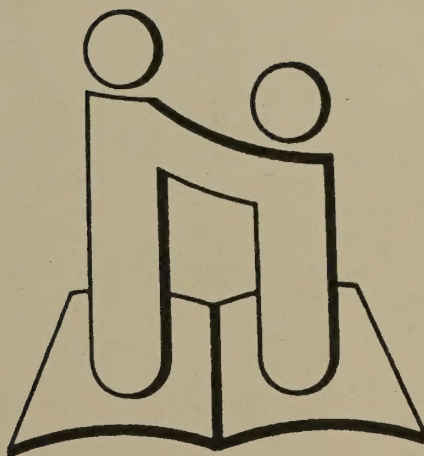


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THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON



ANNUAL REPORT
1992

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APR - 1993

GOVERNMENT DOCUMENTS

1992

FINANCIAL STATEMENTS

Prepared by:

Irene Polidori, Manager, Financial Services

Greg Rutledge, Controller

Submitted by:

Paul E. Shewfelt
Superintendent of Finance and Treasurer

Approved by:

Donald W. Goodridge
Director of Education and Secretary of the Board

**MacGillivray
Partners**

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Michael G. Collyer
Colin C. Dalingwater
John C. Dow
Bruce R. Horsley
Richard J. Kelly
William B. Stephenson

AUDITORS' REPORT

To the Trustees of
The Board of Education for the
City of Hamilton

We have audited the balance sheet of **The Board of Education for the City of Hamilton** as at December 31, 1992 and the Revenue Fund Statement of Operations, the Capital Fund Statement of Operations and the Reserve Fund Statement of Continuity for the year then ended. These financial statements are the responsibility of the school board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1992 and the results of its operations and the changes in its reserve funds for the year then ended in accordance with the accounting principles described in note 1 to the financial statements.

*Hamilton, Canada
March 16, 1993*

MacGillivray Partners

CHARTERED ACCOUNTANTS

TREASURER'S REPORT

To the Chairman and Members
Operations Management Committee
The Board of Education for the City of Hamilton
Hamilton, Ontario

Ladies and Gentlemen,

I am pleased to present the 1992 annual audited Financial Statements of the Board of Education for the City of Hamilton. These financial statements were prepared by the staff of the Finance Department, in accordance with generally accepted accounting principles that are prescribed by the Ministry of Education and are considered appropriate for Ontario School Boards.

FINANCIAL POSITION

The Balance Sheet continues to indicate that the Board is in a sound financial position. Cash and short-term deposits of \$24,096,000 are generating interest income with minimum risk. Net long-term liabilities are at \$14,815,000 at varying interest rates.

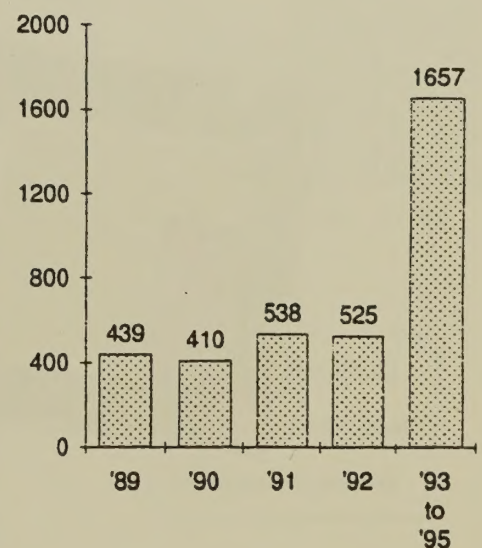
Debentures in the amount of \$1,300,000 were issued through the Region of Hamilton-Wentworth to finance the renovation costs of Memorial Elementary School. The debentures have a ten year term and bear the interest rate of 8 1/4% for the first five years and 8 3/4% for the balance of the term. In addition, the Region has been requested to provide debentures in the amount of \$39,100,000 in the coming years, primarily for the construction of new schools.

Compared to 1991, 1992 was an unusual year. A number of issues occurred during the year which contributed to our surplus of \$7,412,000.

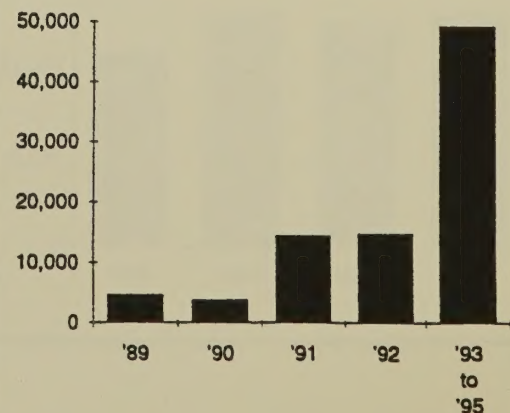
- The announcement by the Ministry of Education in January 1992 to limit transfer payments to school boards.
- The assessment appeal by Dofasco Inc., which covered a ten year span, was settled in December 1992 and resulted in a lower than anticipated settlement. The reserve fund balance of \$2,168,000 was returned to the revenue fund.
- The strike by members of C.U.P.E. Local 1344 had a significant impact on the financial affairs of the Board.

The surplus is shown on the balance sheet as an account payable to be considered in future financial planning.

YEAR TO YEAR CHANGE IN ENROLMENT



DEBENTURES (000's)



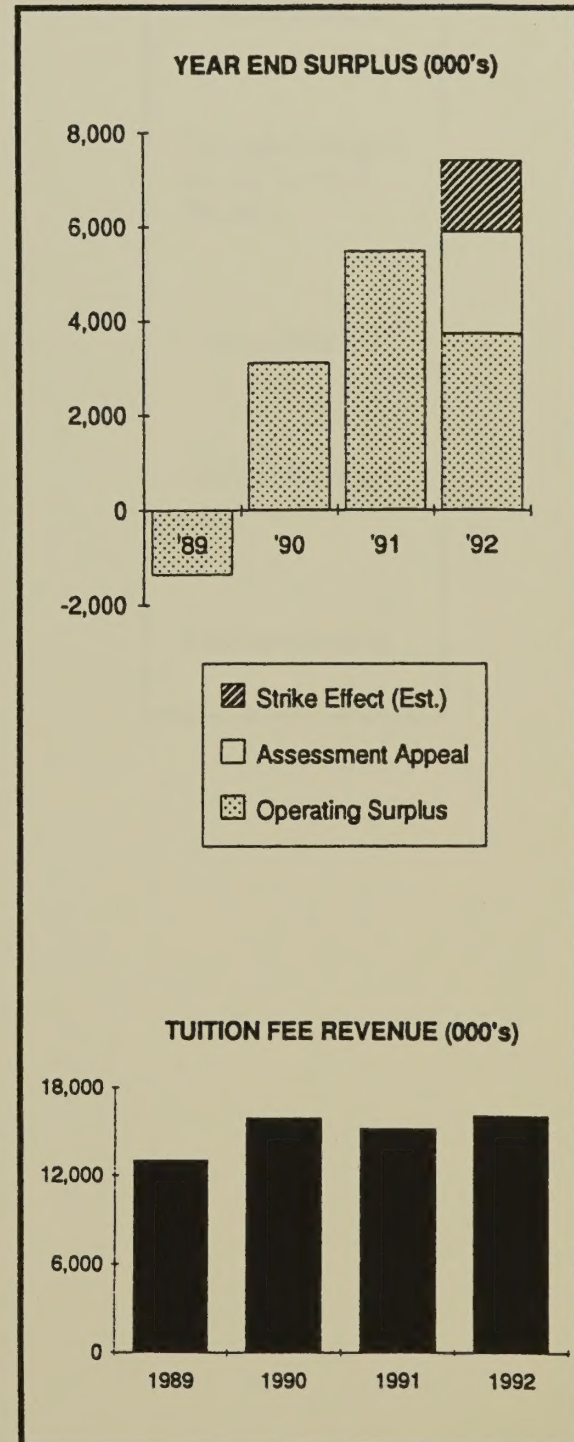
As well, the Ministry requires that the Board return to the ratepayer the net amount of budgeted wages and benefits that went unpaid as a result of the strike. This refund of taxes, in the amount of \$2,324,000, is shown on the balance sheet as an account payable and will be returned to the ratepayer in 1993, as a refund of the 1992 levy.

FINANCE TODAY

(a) Finance continues to maximize Ministry funding and other sources of revenue. Examples include:

- Tuition fees are collected on behalf of those students who attend our system as non-residents. For 1992, revenues generated from more than 1,900 students were approximately \$16 million, representing the third largest revenue source of the Board.
- The Transportation Department, with the co-operation of the Area Offices and the schools, implemented the revised transportation policy effective September 1992. A joint application with our coterminous school board was submitted to the Ministry of Education - Transition Assistance Fund. In 1993, funding was granted in the amount of \$235,000 to develop a computerized transportation and scheduling system.
- Grant applications to upgrade the technological equipment at Barton, Georges P. Vanier and Sir Winston Churchill schools were made by co-ordinating the efforts of the Purchasing Department, the Co-ordinator of Technological Studies, the technological department heads and the staff at these schools.
- Grant applications to remove or encapsulate asbestos continue to be submitted to the Ministry, in conjunction with the Asbestos Response Team.
- The Purchasing Department continues to work closely with Computers in Education to specify and purchase grant eligible microcomputers for the schools.

(b) Members of the Finance team directed its resources to the Integrated Information System. In the past year the employee information system was enhanced to include information requirements for the new Payroll system. Exploratory discussions were also initiated for the purpose of defining the requirements of an on-line financial information system. It is expected that several upgraded or new systems will be in place by the end of 1993, beginning with on-line access by each school to its pertinent financial transactions. It is anticipated that all requirements considered essential by the user can be satisfied over the next three years.



(c) In addition the Finance team was involved in several initiatives in 1992, including:

- Three year Proforma Budget
- Participation in the interdepartment environment committee
- School audits

FINANCE TOMORROW

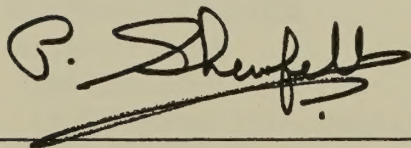
The future holds many challenges for the Finance Department including:

(a) Participating in the development of a three year financial plan, in conjunction with the Board and Senior Management.

(b) Upgrading our financial information system to incorporate clear lines of accountability and responsibility and to meet information needs on a more timely basis.

(c) Maintaining collaborative relationships with all stakeholders in the delivery of education.

The financial strength of our Board relies on the resourcefulness of all staff, particularly during these times of restraint. Our combined strengths and clear focus on a student-centered and student-based educational system will direct our energies to the benefit of all those we serve.



Paul E. Shewfelt
Superintendent of Finance and Treasurer

SCHOOL SYSTEM AT A GLANCE

Nineteenth largest
school board in
Canada

113 facilities

50,000 day and
evening students

4,800 employees

**THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
BALANCE SHEET
DECEMBER 31, 1992**

ASSETS

CURRENT ASSETS

Cash and Short-Term Deposits - Note 9
Accounts Receivable
 Other School Boards
 Government of Ontario
 Other
Prepaid Expenses
Other Current Assets

**CAPITAL OUTLAY TO BE RECOVERED
IN FUTURE YEARS - NOTE 1 (B)**

1992 (\$000's)	1991 (\$000's)
24,096	27,199
223	362
9,816	7,125
1,759	1,497
297	529
208	191
36,399	36,903
15,959	15,826
52,358	52,729
=====	=====

LIABILITIES

CURRENT LIABILITIES

Accounts Payable
 Over Requisition - Note 1 (d)
 Trade Payables and Accrued Liabilities
Reserve for 1993 Tax Reduction - Note 4
Deferred Income

NET LONG-TERM LIABILITIES - NOTE 5

RESERVE FOR WORKING FUNDS - NOTE 1 (C)

EQUITY IN RESERVE FUNDS - NOTE 1 (C)

1992 (\$000's)	1991 (\$000's)
7,412	5,467
11,709	10,803
2,324	---
2,822	3,094
24,267	19,364
14,815	14,380
5,800	5,800
7,476	13,185
52,358	52,729
=====	=====

**THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
REVENUE FUND STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1992**

	1992 (\$000's)	1991 (\$000's)
EXPENDITURE		
Business Administration	4,562	4,917
General Administration	1,766	1,688
Computer Services	2,997	2,644
Instruction	207,054	199,497
Plant Operation and Maintenance	30,576	31,746
Transportation	5,837	6,119
Tuition Fees	4,439	3,803
Capital Expenditure (Non-Allocable)	5,346	9,050
Debt Charges - Note 6	2,333	936
Other Operating Expenditures	5,303	4,057
Non-operating Expenditure Excluding Transfers to Reserves	6,167	1,620
TOTAL EXPENDITURE	276,380	266,077
RECOVERY OF EXPENDITURE		
Other School Boards - Tuition Fees & Miscellaneous	15,424	15,068
Government of Ontario - Miscellaneous	3,271	1,027
Government of Canada	310	174
Individuals - Tuition Fees	690	871
Other Revenue Excluding Transfers from Reserves	2,902	4,741
TOTAL RECOVERY OF EXPENDITURE	22,597	21,881
NET EXPENDITURE	253,782	244,196
FINANCING OF NET EXPENDITURE		
Government of Ontario General Legislative Grants	83,697	83,438
Local Taxation		
Previous Year's Over		
Requisition - Note 1 (d)	6,043	4,432
Local Taxation Raised in Current Year	167,436	161,904
Decrease (Increase) in Reserves other than Reserve for Refund of Taxes	6,342	(111)
	179,821	166,225
To be Applied to the Following Year's Taxation		
Reserve for Refund of Taxes		
for Reasons of Employee Withdrawal of Services - Note 4	(2,324)	---
Net Over Requisition - Note 1 (d)	(7,412)	(5,467)
	(9,736)	(5,467)
TOTAL FINANCING	253,782	244,196

THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
CAPITAL FUND STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1992

CAPITAL EXPENDITURE

Fixed Assets and Work in Progress
Buildings
Furniture and Equipment
School Sites and Improvements to Sites

Total Capital Expenditure

CAPITAL FINANCING

Unexpended Funds (Balance Not Permanently Financed) at Beginning of Year
Long-Term Liabilities Issued and Sold
Capital Expenditure from the Revenue Fund
Balance at End of Year Not Permanently Financed

Total Capital Financing

1992 (\$000's)	1991 (\$000's)
6,188	15,011
1,610	3,369
147	318
<u>7,945</u>	<u>18,698</u>
=====	=====
(1,446)	(6,240)
1,292	11,073
6,955	12,419
<u>1,144</u>	<u>1,446</u>
<u>7,945</u>	<u>18,698</u>
=====	=====

THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
RESERVE FUND STATEMENT OF CONTINUITY
FOR THE YEAR ENDED DECEMBER 31, 1992

1992 Total (\$000's)	1991 Total (\$000's)
13,185	10,408
---	1,690
2,203	4,561
883	1,026
<u>16,271</u>	<u>17,685</u>
=====	=====
8,795	4,500
<u>7,476</u>	<u>13,185</u>
=====	=====

Capital (\$000's)	Retiring Gratuities (\$000's)	Assessment Appeal (\$000's)	1991 Total (\$000's)
2,830	7,483	2,872	10,408
---	---	---	1,690
185	1,483	535	4,561
189	483	211	1,026
<u>3,204</u>	<u>9,449</u>	<u>3,618</u>	<u>17,685</u>
=====	=====	=====	=====
2,281	2,896	3,618	4,500
<u>923</u>	<u>6,553</u>	<u>0</u>	<u>13,185</u>
=====	=====	=====	=====

Balance, December 31, 1991
Transfer from Revenue Fund
to Reserve Fund
Total amount provided during the
year from the Revenue Fund
Earnings on Reserve
Fund investments

Transfers to Revenue
Fund
Balance December 31, 1992

THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992

1. SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements have been prepared by the Board using accounting principles that are prescribed by the Ministry of Education and are considered appropriate for Ontario School Boards. These principles are in accordance with generally accepted accounting principles except as follows:

(a) Accrual Accounting

Revenue and expenditure are accounted for on the accrual basis of accounting with the following exceptions:

- (i) No provision is made for interest on unmatured debenture debt from the date of payment to the year end.
- (ii) No provision is made to record the liability for retirement and/or sick leave benefits accruing over the working lives of employees.

(b) Capital Assets

Capital assets are charged to current expenditure unless financed by long-term debt. Principal and interest charges on net long-term liabilities are included as expenditures in the period due. Capital assets, described as capital outlay to be recovered in future years, are included on the balance sheet only to the extent of the balance of the related net long-term liabilities outstanding and of the related temporary financing at the year end.

(c) Reserves and Reserve Funds

Reserves and Reserve Funds represent funds appropriated for general and specific purposes and are charged or credited to Revenue Fund Operations in the year appropriated or drawn down. The amounts in Reserves and Reserve Funds are approved by the Board and are within the limits defined in the Education Act.

(d) Under/Over Requisition of Taxes

The difference between the net expenditure of any year and the amounts received to finance these expenditures is carried forward to the subsequent year to either increase or reduce the net revenue requirements from ratepayers.

(e) Supplementary Taxes

Supplementary taxes are deferred in the year received and recorded as revenue in the following year.

2. RETIREMENT GRATUITIES PLANS

Employees may become entitled to cash payments when they leave the employment of the Board for purposes of retirement providing they meet the prescribed age or service requirements. Retirement gratuities of \$2,896,000 were paid in 1992 (1991 - \$1,337,000). An amount of \$ 6,553,000 is provided by way of a reserve fund which has been funded in accordance with a 1987 Actuarial Report. The amount of the total liability in respect of employees who meet the vesting requirements of the plans at the end of 1992 is \$ 34,653,000. Notwithstanding the use of reserve funds, recognition for General Legislative Grants purposes continues to be made in respect of the actual amounts paid to employees.

THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992

3. ASSESSMENT APPEAL

The Hamilton Board of Education, the Region of Hamilton-Wentworth and the City of Hamilton appealed a decision by the Ontario Municipal Board which allowed Dofasco Inc. a reduction in property tax assessment for the years 1983 to 1992.

An out-of-court settlement was negotiated by the Regional Assessment Commission on behalf of the appellants on December 18, 1992. The settlement reached reflected a reduction in property taxes for the years 1983 to 1992. The Board's share of the disposition was as follows:

Assessment Appeal Reserve Balance	\$ 3,618,000
Estimated Provincial Share	<u>2,365,000</u>
	5,983,000
Board Share of Settlement	<u>3,815,000</u>
	<u>\$ 2,168,000</u>

The balance of \$2,168,000 was transferred to the Revenue Fund.

4. RESERVE FOR 1993 TAX REDUCTION

Legislation requires that where monies raised by a school board through local taxation that is not required by reason that salaries and wages of employees are not paid because of a strike or lockout by such employees during the year, the net savings are to be placed in a reserve and are to be used to reduce the requirement for local taxation in the following year.

During the year such a strike occurred and the Board placed monies in reserve for return to the ratepayers in the form of a 1993 tax reduction as follows:

Elementary School Supporters	\$	1,607,000
Secondary School Supporters		<u>717,000</u>
	\$	<u>2,324,000</u>

5. NET LONG TERM LIABILITIES

The net long-term liabilities consist of debentures which have a retractable feature, exercisable on specific dates only, at the option of the debenture holders. Of the net long-term liabilities outstanding of \$14,815,000, principal amounting to \$4,505,000 plus interest amounting to \$7,817,000 is payable over the next five years as follows:

	Principal	Interest	Total
1993	\$ 921,000	\$ 1,567,000	\$ 2,488,000
1994	926,000	1,561,000	2,487,000
1995	897,000	1,558,000	2,455,000
1996	879,000	1,554,000	2,433,000
1997	882,000	1,577,000	2,459,000
	<u>\$ 4,505,000</u>	<u>\$ 7,817,000</u>	<u>\$ 12,322,000</u>

**THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992**

6. DEBT CHARGES

The Revenue Fund expenditure for debt charges includes principal and interest payments as follows:

Principal payments on long-term liabilities	\$	867,000
Interest payments on long-term liabilities		<u>1,466,000</u>
	\$	<u>2,333,000</u>

7. EARLY RETIREMENT INCENTIVE PLAN

The Board has entered into an agreement with a number of employees under an Early Retirement Incentive Plan. The plan requires payments to these employees over the next three years of approximately \$1,190,000. The Board has included these costs in the Revenue Fund Statement of Operations in the current year in accordance with generally accepted accounting principles.

8. PENSION PLAN COSTS

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System which is a multi-employer final average pay contribution plan. Employer contributions made to the plan during the year by the Board amounted to \$2,256,000 (1991 - \$2,221,000). Those amounts have been included in employee benefits expense in the Revenue Fund Statement of Operations.

Not shown in the financial statements of the Board are the employer's contributions to the Teachers' Superannuation Fund. The funding for such is provided directly by the Provincial Government.

9. RESTRICTED FUNDS

Cash and short-term deposits of \$7,476,000 (1991 - \$13,185,000) are restricted in order to fully fund the equity in reserve funds.

10. ONTARIO SCHOOL BOARD EXCHANGE

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. The membership period is for five years, ending December 31, 1996.

11. THE CONSORTIUM GAS PURCHASE AGREEMENT

The Board is a member of a buy/sell gas consortium with nine other school boards for the direct purchase and sale of natural gas. The consortium has extended its agreement to purchase natural gas at fixed contract prices to August 31, 1994.

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